

Message Text

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ACTION COME-00

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FM USINT ALGIERS

TO SECSTATE WASHDC 1005

AMEMBASSY TOKYO

LIMITED OFFICIAL USE ALGIERS 1861

E.O. 11652: N/A

TAGS: BEXP, AG

SUBJ: ALGERIAN AUTOMOTIVE PRODUCTION

REFS: (A) STATE 181561 (B) ALGIERS A-034

1. FOUR MAN GROUP HEADED BY HERBERT TELSHAW HAD GOOD SECOND ROUND DISCUSSIONS WITH GOA ON AUTOMOBILE PROJECT. GM BOARD WILL DECIDE WHETHER TO BID ON PROJECT AT BOARD MEETING ON SEPTEMBER 11.

2. GM CAME BACK TO DISCUSS FURTHER THE ALGERIAN PROJECT TO BUILD 100,000 A YEAR AUTOMOBILE PLANT. GM MADE CLEAR IT INTERESTED IN PROJECT ONLY IF CLEAR LONG TERM INVOLVEMENT IN ALGERIA EXISTS AND IF PROJECT CAN BE DONE IN STAGES. ALGERIANS INDICATED THEY WANT 100,000 UNIT PLANT BY 1980, BUT THAT ACTUAL PRODUCTION COULD BE STARTED IN STAGES. WHAT THEY WERE MOST INTERESTED IN WAS TRAINING OF PERSONNEL. PRESENT THINKING WAS SOME 2,000 PERSONNEL TRAINED IN U.S. WITH ABOUT 400 OF THESE IN FOUR OR MORE YEAR ENGINEERING SCHOOLS. OTHER PERSONNEL WOULD BE TRAINED IN ALGIERS. STAGED INCREASE IN PRODUCTION WOULD GREATLY FACILITATE TRAINING SCHEDULE.

3. ON LONG TERM INTEREST TO GM, ALGERIANS HELD OUT HOPE FOR INTERIM PURCHASE OF GM CARS AND TRUCKS. THEY ALSO WOULD CONSIDER SETTINGUP JOINT VENTURE SONACOME/GM. GM WOULD RECEIVE ABOUT 30 PERCENT INTEREST

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IN RETURN FOR SERVICES PERFORMED-POSSIBLY TRAINING.

FINALLY, GM COULD BE ASSURED OF LONG TERM SUPPLY OF
RAW MATERIALS--POSSIBLY OIL, GAS, ALUMINUM, STEEL.
ALGERIANS INDICATED PREFERENCE FOR PRODUCTS THEY COULD
NOT SELL READILY IN WORLD MARKET--I.E. PREFERABLY
NOT OIL OR GAS.

4. IF GM BOARD APPROVES PROJECT (PRESENT BETTING IS
50/50) GM HAS PROMISED TO PREPARE PROPOSAL BY EARLY
DECEMBER 1974. GOA WISHES TO INITIAL CONTRACT BY END
OF 1974 SO TIMING IS CRUCIAL. GM FIGURES PREPARATION
OF PROPOSALS WILL COST ABOUT A QUARTER OF A MILLION,
SO PRESENT ASSESSMENT OF GOA'S INTENTIONS IMPORTANT.
GM IS LATE ON PROJECT, BUT MINISTRY OF INDUSTRY AND
ENERGY SEEMS TO BE FORCING CONSIDERATION OF GM PROPOSAL
ON SOANCOME. PRESENT COMPETITION IS TOYOTA, NISSEN,
VOLVO, FIAT, PEUGEOT, AND RENAULT. OF THESE, ALL EUROPEAN
BIDDERS WILL HAVE MAJOR PROBLEM SWALLOWING ESTIMATED
800,000,000 DOLLAR CONTRACT, SO GM CHANCES LOOK GOOD.
NEITHER USINT NOR GM GROUP COULD ASSESS JAPANESE
COMPETITION, BUT USINT WOULD BE INTERESTED IF EMBASSY
TOKYO KNOWS OF ANY POSSIBLE PROMISES MADE DURING
ABDESSELAM'S VISIT TO JAPAN LAST SPRING. IN
THIS CONNECTION MINISTRY OF INDUSTRY AND ENERGY RAISED
WITH GM PLANNED VISIT TO U.S. ABDESSELAM NOW EXPECTED
TO VISIT U.S. IN FEBRUARY 1975 AND MAY WISH ANNOUNCEMENT
OF ALGERIAN/GM DEAL DURING THIS TRIP WHICH WOULD FIT PUBLICITY
GIVEN PREVIOUS ABDESSELAM TRIPS.
PELLETREAU

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